

1 Paul J. Byrne, Esq. (State Bar Number: 190860)
 2 NIXON PEABODY LLP
 3 One Embarcadero Center, Suite 1800
 4 San Francisco, CA 94111-3996
 5 Telephone: (415) 984-8200
 6 Facsimile: (415) 984-8300
 7 E-mail: pbyrne@nixonpeabody.com

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 9 Richard Pedone (Admitted Pro Hac Vice)
 10 NIXON PEABODY LLP
 11 100 Summer Street
 12 Boston, MA 02110-2131
 13 Tel: (617) 345-1000
 14 Fax: (617) 345-1300
 15 E-Mail: rpedone@nixonpeabody.com

16 Attorneys for Petitioning Creditor, Roosevelt Fund, L.P.

17 IN THE UNITED STATES DISTRICT COURT
 18 FOR THE NORTHERN DISTRICT OF CALIFORNIA
 19 (San Francisco Division)

20 In re:

21 EDWARD SEWON EHEE,
 22 Debtor.

23 Case No. C 07-03996-SI

24 **DECLARATION IN SUPPORT OF
 MOTION (I) REQUESTING THE
 APPROVAL OF A SETTLEMENT,(II)
 REQUESTING RETURN OF THE
 REFERENCE OF THE BANKRUPTCY
 CASES TO THE BANKRUPTCY COURT,
 AND (III) REQUESTING OTHER
 RELATED RELIEF**

25 In re:

26 COMPASS FUND MANAGEMENT,
 27 LLC,
 28 Debtor.

29 Objection Deadline
 30 Date: February 25, 2008
 31 Time: 5:00 p.m.
 32 Judge: Susan Illston
 33 Courtroom: 10
 34 (No Hearing Scheduled)
 35 Case No. C 07-03995-SI

36 In re:

37 COMPASS WEST FUND, L.P.,
 38 Debtor.

39 Case No. C 07-03997-SI

1 I, RICHARD C. PEDONE, declare as follows:

2 I am an attorney at law admitted pro hac vice to practice before this Court and am associated
 3 with Nixon Peabody, LLP attorneys for the petitioning creditor, AAG Roosevelt Fund, LP.

4 Roosevelt is a Delaware limited partnership with a principal place of business in Greenbrae,
 5 California.

6 The Debtor, Edward Ehee, is a natural person who is a citizen and resident of the United
 7 States and is a resident of San Ramon, California. The Debtor is also a person against whom an order
 8 for relief may be entered under Section 303 of the Bankruptcy Code.

9 On November 8, 2006, the Securities and Exchange Commission (the “Commission”) filed a
 10 complaint alleging the Debtor (and others) violated various federal securities laws with this Court.
 11 *Securities & Exchange Commission v. Viper Capital Management, LLC, et al.*, Case No. C-06-6966-
 12 SI (the “SEC Action”).

13 On November 22, 2006, Roosevelt filed a complaint (the “Complaint”) against Ehee and his
 14 management companies alleging violations of various federal securities laws and certain state laws.
 15 *AAG Roosevelt Fund, L.P. v. Edward Sewon Ehee, et al.*, Case No. C-06-7270 SI (N.D. Cal.) (the
 16 “Roosevelt Action”).

17 In addition to filing the Petition against the Debtor, Roosevelt simultaneously filed
 18 involuntary bankruptcy petitions against the following entities:

19 (a) Compass Fund Management, LLC, thus commencing *In the Matter of Compass Fund*
 20 *Management, LLC*, Bankr. N.D. Cal. Chapter 7 Case No. 07-40129 (Now in the U.S.

21 District Court for the Northern District of California, Chapter 7 Case No. 07-3995 SI)
 22 (the “Compass Fund Management Bankruptcy Case”); and

23 (b) Compass West Fund, L.P., thus commencing *In the Matter of Compass West Fund,*
 24 *L.P.*, Bankr. N.D. Cal. Chapter 7 Case No. 07-40130 (Now in the U.S. District Court

1 for the Northern District of California, Chapter 7 Case No. 07-3997 SI) (the “Compass
 2 West Bankruptcy Case”).¹

3 No party contested the petitions filed in either the Compass Fund Management Bankruptcy
 4 Case or the Compass West Bankruptcy Case. Orders for relief have been entered and chapter 7
 5 trustees have been appointed in both cases. This Court has deemed the SEC Action, this involuntary
 6 bankruptcy case, the Roosevelt Action, the Compass Fund Management Bankruptcy Case, and the
 7 Compass West Bankruptcy Case to be related cases.

8 On or about May 1, 2007, Kevin Bradford (individually and as trustee for the Mackenzie
 9 Bradford Trust, the Madison Bradford Trust, the Gage Bradford Trust and the Morgan Bradford
 10 Trust) and Richard Garman (collectively, the “Bradford Plaintiffs”) filed a complaint (the “Bradford
 11 Complaint”) against Edward Sewon Ehee, Viper Capital Management, LLC, Compass Fund
 12 Management, LLC, Robert Ehee, Albert Ehee, Jenifer Ehee and Does 1-20 (collectively the
 13 “Bradford Defendants”) in the Superior Court for the State of California, County of San Francisco
 14 (Case No. CGC-07-462966, the “Bradford Action”). The Bradford Complaint alleges, inter alia,
 15 various counts of securities fraud, breach of contract, unjust enrichment, breaches of fiduciary duties,
 16 fraud, negligent misrepresentation, conspiracy, conversion, and various fraudulent conveyances.

17 On or about September 14, 2007, this Jennifer Ehee removed the Bradford Action from the
 18 state court based on this Court’s jurisdiction over the Bankruptcy Cases. See N.D. Cal. Case No. 07-
 19 04747.

20 On June 27, 2007, at the request of the Commission and by order of this Court, this Court
 21 withdrew the references to the Bankruptcy Cases from the Bankruptcy Court.

22 On or about November 6, 2007, the Debtor filed his Motion for an Order Authorizing the Sale

23 ¹ The Ehee Bankruptcy, Compass Fund Management Bankruptcy Case, and the Compass West
 24 Bankruptcy Case are collectively referred to as the “Bankruptcy Cases”.

of Property Free and Clear of Yang Lien (the “Sale Motion”). Pursuant to the Sale Motion, Ehee requested that certain real property commonly known as 6122 Acacia Avenue, Oakland, California (“6122 Acacia Ave.”) would be sold for \$1,200,000 (the “Proceeds”).

By order of the Court, dated December 20, 2007, the Proceeds, net of such costs commissions and liens paid into the registry of the Court. The sale of 6122 Acacia Ave. was made free and clear of the lien created and evidenced by a certain note and deed of trust dated October 27, 2007 in the face amount of \$200,000 in favor of Joong M. Yang (the “Yang Lien”). The Yang Lien attached to the Proceeds which are held in trust in the registry of the Court. The Commission and Roosevelt have raised questions to the validity and enforceability of the Yang Lien, although no formal objections have been filed.

The Debtor has executed a settlement of the SEC Action with the Commission. The settlement with the Commission contemplates, inter alia, that this Court will assert and maintain jurisdiction over the Proceeds in the form of a fund (the “SEC Fund”) which will be disbursed to creditors pursuant to an equitable plan to be approved by the Court.

For the limited purpose of the entry of an order approving this Motion, the Debtor does not dispute that:

- (a) Roosevelt was eligible to file the petition under Section 303(b) of the Bankruptcy Code;
- (b) Roosevelt's unsecured claim against the Debtor exceeds \$13,475; and
- (c) As of the Petition Date, the Debtor was generally not paying his debts as they became due unless a debt was the subject of a bona fide dispute as to liability or amount.²

² The position set forth in this paragraph of the Motion constitutes concessions from the position taken in the Debtor's answer to the petition.

1 I declare under penalty of perjury under the laws of the State of California that all of the
2 foregoing is true and correct, upon information and belief, and if called upon to testify to the matters
3 herein, I can competently testify thereto.

4 EXECUTED on February 15, 2008, at Boston, Massachusetts.

5 _____/s/
6 RICHARD C. PEDONE
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